

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE
July 1, 2019

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IN RE:

PETITION OF NAVITAS TN NG, LLC
FOR APPROVAL OF AN ADJUSTMENT
IN THE RATES, CHARGES, AND
TARIFFS

Docket No. 19-00057

DIRECT TESTIMONY OF THOMAS HARTLINE
ON BEHALF OF NAVITAS TN TG, LLC

I. WITNESS INTRODUCTION

1Q. PLEASE STATE YOUR NAME.

A. My name is Thomas Hartline.

2Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Navitas Utility Corporation as President and am Treasurer. I am also Secretary of Navitas TN NG, LLC ("Navitas"), Navitas Assets, LLC, and Fort Cobb Fuel Authority, LLC.

3Q. WHERE IS THE PRINCIPLE BUSINSS OFFICE FOR NAVITAS TN NG, LLC?

A. Navitas' principle place of business is 3186 Airway Avenue, Suite D, Costa Mesa, California 92626. However, we do maintain a local office at 605 Sunset Trail, Jellico, Tennessee 37762 and 9825 Hwy 111, Static, Tennessee.

4Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION AND HAVE YOUR CREDENTIALS BEEN ACCEPTED?

A. Yes, I have testified numerous times before the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission, and my credentials have been accepted.

1 **5Q. PLEASE BRIEFLY EXPLAIN THE OPERATIONS OF NAVITAS.**

2 A. In Oklahoma, Navitas' sister company, Fort Cobb Fuel Authority furnishes natural gas
3 service to approximately 3,533 residential, agricultural and industrial customers located in 17
4 counties. In Texas, Navitas furnishes natural gas to three customers located in two counties.
5 Navitas' focus is serving customers in rural, high cost areas that the larger gas utilities do not
6 serve. In Tennessee, since January 1, 2011, Navitas has been engaged in furnishing natural gas
7 service to approximately 548 customers located in: (1) Campbell County, Tennessee and
8 Whitley County, Kentucky (the Jellico System); (2) Pickett County, Tennessee (the Byrdstown
9 System) and; (3) Fentress County, Tennessee (the Fentress System Domestic Taps). Navitas
10 also furnishes natural gas service to approximately 154 customers located in Clinton County,
11 Kentucky (the Albany System). We own approximately 34 miles of gas distribution and
12 transmission pipe in rural Tennessee in addition to the facilities in Oklahoma, Kentucky and
13 Texas. The assets of Navitas consist of the gas distribution facilities, including mains,
14 regulator stations, and metering equipment. Navitas purchases gas from a non-affiliated third-
15 party gas supplier and distributes it to our customers.

16 Navitas shares certain assets across jurisdictions. The customer service center in Eakly,
17 Oklahoma serves all our subsystems with functions such as billing, meter proving and
18 reconditioning, heavy construction, field compliance, and other services. The corporate
19 operations center in Costa Mesa California serves all our subsystems with functions such as
20 information technology, accounting, human resources, regulatory compliance, gas control,
21 project management, and other services. Navitas Utility Corporation ("NUC") is the operator of
22 all the subsystems. NUC encompasses all the employees, rolling stock, tooling, computers, and
23 all other equipment not classified as real property including all metering equipment. (The plant
24 on the books of the domestic utility within each jurisdiction contains only the real or intangible
25 property in that jurisdiction but none of the personal property.)
26
27
28

1 **II. PURPOSE OF TESTIMONY**

2 **6Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to provide the Commission with an overview of Navitas
4 TN TG LLC and in support of Navitas' Petition which requests: (a) a general rate increase and
5 revisions to the rates and charges for customers served by Navitas; (b) changes to its rate design
6 and tariffs; (c) affirmation of the depreciation rates to amortize the cost of facilities and
7 equipment over the estimated useful life; (d) affirmation of its rate base; (e) affirmation of the
8 allocation of certain components of rate base shared with other jurisdictions; (f) affirmation of
9 the cost allocation method between Navitas and its operator; (g) changes to service regulations
10 and tariffs; and (h) such other relief as the Commission deems necessary, proper, fair,
11 reasonable and equitable in the premises, whether or not specifically prayed for in this Petition.
12 I will explain this in greater detail below.

13 **7Q. THIS IS THE COMPANY'S FIRST RATE CASE IN SEVEN YEARS. WHAT IS**
14 **DRIVING YOUR REQUEST?**

15 A. After seven years, Navitas' request for a general rate increase is premised on the
16 calculated revenue deficiency during the test year 2018 of approximately \$128,957. This
17 requested amount represents an approximate 25.4% increase in total revenue. Within the
18 context of nearly a decade between the last rate case and this Petition for a rate adjustment, this
19 figure represents an annualized increase over the period of 3.3%.
20 By way of comparison, the equivalent amount of heating energy obtained through the local
21 electric provider for the average residential customer currently costs \$153.32 whereas Navitas
22 receives only \$63.64.

23 **III. NAVITAS TN TG, LLC GAS OPERATIONS**

24 **8Q. HOW IS NAVITAS DIFFERENT FROM OTHER UTILITY PROVIDERS?**

25 A. Unlike major gas utility providers, the Navitas systems are subject to unique
26 competitive pressures. For example, our customers have the ability to site a propane tank on
27 their property, an option not available in urban areas. Additionally, in many areas, Navitas
28

competes with government subsidized electrical providers (cooperatives) that often offer below market electricity. Moreover, Navitas is concerned about losing customers to rate shock.

9Q. HOW DOES NAVITAS PROPOSE TO IMPLEMENT ITS NEW RATE PLAN?

A. Navitas proposes to implement its new rate plan commencing January 1, 2020.

10Q. PLEASE IDENTIFY THE DEPRECIABLE LIVES USED FOR THE ASSETS THAT ARE PART OF YOUR RATE BASE.

A. For Tennessee, as well as its systems in other jurisdictions, Navitas utilizes the following depreciable lives: pipeline 40 years, acquisition adjustment 20 years, leasehold improvements 15 years, organizational costs 10 years, meters 10 years, pick-up trucks 7 years, tooling 3 years, and used equipment at estimated remaining life.

11Q. PLEASE BRIEFLY EXPLAIN HOW YOU DEVELOPED THE RATE BASE UTILIZED IN THIS FILING.

A. Navitas established the rate base of assets as of December 31, 2018 which consisted of \$1,842,872 of acquired cost and \$1,117,842 of accumulated depreciation for a net plan of \$725,025 for the pipeline assets as of close of business on December 31, 2018.

12Q. PLEASE EXPLAIN THE BILLING METHODOLOGY FOR NAVITAS CUSTOMERS.

A. Navitas Utility Corporation bills Navitas TN NG monthly for the operation of the utility. All costs and expenses are passed through to the system including the natural gas commodity charges. Charges from NUC fall into one of several categories: extraordinary third party charges, described further below, pass through charges, i.e. commodity cost components of the GCA (Gas Cost Adjustment), direct charges, i.e. Jellico serviceperson J. Walker, and allocated charges that are proportionally distributed to the various systems, i.e. Billing Manager T. Kelley, located in Eakly, Oklahoma.

During the test period, NUC billed the Tennessee systems approximately \$411,694 in operating costs out of its total operating expenses of \$3,507,322 or 11.74% of its operating costs for all subsystems.

1 In addition to the normal and customary monthly charges, NUC bills out certain costs,
2 especially extraordinary third-party expenses incurred on behalf of a particular utility such as
3 legal fees for a rate case or other irregularly recurring proceeding. This is illustrated by the
4 charges incurred in association with this herein rate case matter and presented in the accounting
5 reports provided in Item 45 of the Minimum Filing Requirements.

6 **13Q. PLEASE DESCRIBE ANY FURTHER ISSUES ASSOCIATED WITH NAVITAS**
7 **TN'S SUBSYSTEM, IF ANY.**

8 A. In the past, Navitas has encountered certain customers disconnecting service in the
9 spring and reconnecting service in the fall to avoid the customer charge. A disconnect fee was
10 implemented in the last rate case in order to eliminate this type of gaming of the tariffs. This
11 fee should be affirmed in these proceedings.

12 **14Q. IS THERE ANY OTHER TESTIMONY YOU WOULD LIKE TO ADD?**

13 A. I have no further testimony at this time. However, I would like to reserve the right to
14 supplement this testimony at a later time, if necessary.

1 VERIFICATION

2
3 STATE OF CALIFORNIA)
4 COUNTY OF ORANGE)

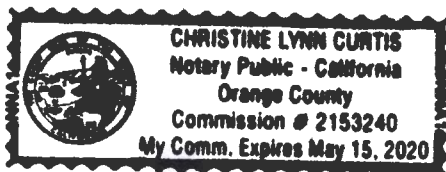
5
6 I, Thomas Hartline, Secretary of Navitas TN NG, LLC, being duly sworn according to
7 the law, declare that I have read the foregoing documentation and know the contents thereof,
8 and that the same is true and correct to the best of mt knowledge, information and belief.

9 Executed this 1st day of July 2019.

10 I declare under the penalty of perjury under the laws of the State of California that the
11 foregoing is true and correct.

12 
Thomas Hartline

13
14
15
16 Subscribed and sworn to before me on this 1st day of July, 2019, by Thomas Hartline, proved
17 to me on the basis of satisfactory evidence to be the person who appeared before me.




NOTARY PUBLIC

NAVITAS TN NG, LLC
P.O. Box 183
121 Eakly, Oklahoma 73033

RATE SCHEDULE R-1
Residential Natural Gas Service

AVAILABILITY

Natural gas service under this rate schedule is available to any individually metered private residence customer within all areas served by Navitas TN NG, LLC ("Navitas" or "Company"). A residence is considered a home, cottage or mobile home, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered or measured, irrespective of the fact that a person other than the resident: (1) is contractually bound to Navitas for the charges, or (2) actually pays the charges, or (3) is billed for the charges. Natural gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly. Service is subject to all the policies, rules and regulations as filed by Navitas with the Tennessee Public Utility Commission ("TPUC" or "Commission") and the orders and rules promulgated by TPUC.

MONTHLY BASE RATE

January 1, 2020*

Customer Service Charge per month	\$14.49
First 9 Ccfs per month	\$2.00
Over 9 Ccfs per month	\$0.93

*These rates will go into effect on the first day of January 2020 billing period.

MONTHLY CUSTOMER SERVICE CHARGE

The customer shall be responsible to pay the monthly Customer Service Charge for each meter connected, even if no natural gas is consumed by the customer, from the time of initial service until termination unless there is a temporary discontinuance of service in which case a reconnect charge will apply.

MINIMUM BILL

The minimum monthly bill shall be the Customer Service Charge, as shown in the Monthly Base Rate stated above, in addition to any and all other applicable charges due under this Rate Schedule. Bills shall be due and payable upon receipt by the customer. Payments made after the "last day for payment" as specified on the bill will incur a 5% surcharge of the net bill plus a \$5.00 late fee and thus must pay for the gross amount plus 5% of the net bill plus \$5.00.

BILLING ADJUSTMENTS

Bills for gas service are subject to adjustment for changes in the cost of purchased gas. Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the TPUC's Rules and Regulations and applicable taxes shall be added to the above rates. Bills are subject to the provisions of the Weather Normalization (WNA) as approved by the TPUC. Gas service is subject to the Company's Rules and Regulations as filed with TPUC.

ISSUED: JULY 1, 2019
ISSUED BY: THOMAS HARTLINE, SECRETARY

EFFECTIVE: JANUARY 1, 2020
DOCKET NO. 19-

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P.O. Box 183
121 Eakly, Oklahoma 73033

RATE SCHEDULE I-1
Public, Industrial and Institutional Natural Gas Service

AVAILABILITY

Natural gas service under this rate schedule is available to any public, private, industrial or institutional customer within all areas served by Navitas TN NG, LLC ("Navitas" or "Company"). The rates under this schedule shall apply per customer, not per meter, where multiple meters are placed at the convenience of the Company to serv an individual customer and/or the meters are located within a contiguous land area where use rights are vested with the customer. Natural gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly. Service is subject to all the policies, rules and regulations as filed by Navitas with TPUC and the orders and rules promulgated by TPUC.

MONTHLY BASE RATE

January 1, 2020*

Customer Facility Service Charge per month	\$19.49
First 9 Ccfs per month	\$3.00 per Ccf
Over 9 Ccfs per month	\$0.93 per Ccf

*These rates will go into effect on the first day of January 2020 billing period.

MONTHLY CUSTOMER FACILITY SERVICE CHARGE

The customer shall be responsible to pay the monthly Customer Service Charge for each meter connected, even if no natural gas is consumed by the customer, from the time of initial service until termination unless there is a temporary discontinuance of service in which case a reconnect charge will apply.

MINIMUM BILL

The minimum monthly bill shall be the Customer Service Charge, as shown in the Monthly Base Rate stated above, in addition to any and all other applicable charges due under this Rate Schedule. Bills shall be due and payable upon receipt by the customer. Payments made after the "last day for payment" as specified on the bill will incur a 5% surcharge of the net bill plus a \$5.00 late fee and thus must pay for the gross amount plus 5% of the net bill plus \$5.00.

BILLING ADJUSTMENTS

Bills for gas service are subject to adjustment for changes in the cost of purchased gas. Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the TPUC's Rules and Regulations and applicable taxes shall be added to the above rates. Bills are subject to the provisions of the Weather Normalization (WNA) as approved by the TPUC. Gas service is subject to the Company's Rules and Regulations as filed with TPUC.

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RATE SCHEDULE C-1
Commercial Natural Gas Service

AVAILABILITY

Natural gas service under this rate schedule is available to any commercial customer within all areas served by Navitas TN NG, LLC (“Navitas” or “Company”). A commercial customer is considered a church, school, restaurant, nursing home, municipal building, commercial store or other outlet such as a service station and the like. Usage by such users will be reported as “commercial volumes and revenues.” The rates under this schedule shall apply per customer, not per meter, where multiple meters are placed at the convenience of the Company to serve an individual customer and/or the meters are located within a contiguous land area where use rights are vested with the customer. Natural gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly. Service is subject to all the policies, rules and regulations as filed by Navitas with TPUC and the orders and rules promulgated by TPUC.

MONTHLY BASE RATE

January 1, 2020*

Customer Facility Service Charge per month	\$14.49
First 9 Ccfs per month	\$2.50 per Ccf
Over 9 Ccfs per month	\$0.93 per Ccf

*These rates will go into effect on the first day of January 2020 billing period.

MONTHLY CUSTOMER FACILITY SERVICE CHARGE

The customer shall be responsible to pay the monthly Customer Service Charge for each meter connected, even if no natural gas is consumed by the customer, from the time of initial service until termination unless there is a temporary discontinuance of service in which case a reconnect charge will apply.

MINIMUM BILL

The minimum monthly bill shall be the Customer Service Charge, as shown in the Monthly Base Rate stated above, in addition to any and all other applicable charges due under this Rate Schedule. Bills shall be due and payable upon receipt by the customer. Payments made after the “last day for payment” as specified on the bill will incur a 5% surcharge of the net bill plus a \$5.00 late fee and thus must pay for the gross amount plus 5% of the net bill plus \$5.00.

BILLING ADJUSTMENTS

Bills for gas service are subject to adjustment for changes in the cost of purchased gas. Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the TPUC’s Rules and Regulations and applicable taxes shall be added to the above rates. Bills are subject to the provisions of the Weather Normalization (WNA) as approved by the TPUC. Gas service is subject to the Company’s Rules and Regulations as filed with TPUC.

ISSUED: JULY 1, 2019
ISSUED BY: THOMAS HARTLINE, SECRETARY

EFFECTIVE: JANUARY 1, 2020
DOCKET NO. 19-

NAVITAS TN NG, LLC
P.O. Box 183
121 Eakly, Oklahoma 73033

RULES AND REGULATIONS
Applicable to All Customers of Natural Gas Service

RE-CONNECTION/ TEMPORARY DISCONNECTION FEES

A reconnection charge, as outlined below, shall apply when a meter is disconnected for any reason and the customer from whom it was disconnected is reconnected within 12 months of the time of disconnection.

The Company shall provide prompt and timely reconnection service for all customers within no more than 2 business days of receiving payment in full for all amounts due including associated fees, deposits, penalties, and other charges, provided if the disconnection was due to nonpayment and the customer enters into a Budget Repayment Plan then the customer's service will be reconnected within 2 business days of the Company receiving the first installation payment from the past due customer. The following reconnection charges shall apply:

RE-CONNECT CHARGE APPLICABLE TO ALL CUSTOMERS WHO RE-CONNECT SERVICE WITHIN 12 MONTHS

A reconnection charge in the amount of \$30.00 shall apply to customers who, while at the same address, disconnect service for 2 or more months within a 12-month period.

DISCONNECT CHARGE APPLICABLE TO ALL CUSTOMERS WHO TERMINATE SERVICE

A disconnect charge equal to 6 months times the applicable Customer Service Charge per month as set forth in the applicable customer rate schedule (R-1, I-1, or C-1) shall apply to customers who terminate natural gas service.

RETURNED CHECK FEE APPLICABLE TO ALL CUSTOMERS

Any returned check shall incur a returned check fee in the amount of \$30.00.

SERVICE INITIATION FEE

Any service initiation fee shall conform to the separately approved Service Initiation Schedule(s).

LIGHTING

The Company does not provide pilot lighting service.

BUDGET REPAYMENT PLAN

The Budget Repayment Plan ("Plan") is available to residential customers and qualifying commercial customers who have not paid billed amounts when due. Simultaneous with the Company providing the customer notice of disconnection, the Company shall provide the customer with notice of the opportunity to participate in this Plan. If a Plan customer pays its monthly bill past the due date for 2 consecutive months, it may be dropped from the Plan at the option of the Company.

At the time a customer elects to participate in the Plan, the customer must also participate in the Level Pay Plan.

The monthly amount required to be paid by the customer shall include the past due bill, including returned check fees and other charges, disconnection and reconnection charges in addition to the Level Pay Plan amount. The Company will not charge interest to the customer if the customer remains current in their payments under the Plan, including the Level Pay Plan. The Company shall determine the number of months for a Plan based on the total amount of charges due provided, under no circumstances, shall the repayment period be less than 3 monthly billing cycles.

If a customer on a Plan fails to pay a monthly installment pursuant to the terms of the Plan and is more than 15 business days late on any payment, then the customer's service is subject to disconnection and all past due charges in addition to disconnect/reconnect fees shall be due and payable prior to having service restored. In addition, the Company may also charge a monthly late payment fees equal to 5% of the net amount due until paid in full.

LEVEL PAY PLAN

A. General Terms and Conditions

1. The Level Pay Plan is available to residential customers and qualifying commercial customers. Residential and commercial customers may request to participate in the Level Pay Plan at any time during the year by telephone or mail or in person at the Company's business office. The customer must have at least a 12-month usage history with the Company to be eligible to participate in the Level Pay Plan. If a Level Pay Plan customer pays its monthly bill past the due date for 2 consecutive months, it may be dropped from the Level Pay Plan at the option of the Company.

2. At the time a customer elects to participate in the Level Pay Plan, except as provided in the Budget Repayment Plan, the account should be current; i.e. there is no previous balance due and the current billing is not past due.

3. A customer who is not able to bring the account current may be placed on the Level Pay Plan by agreeing to pay the monthly budget amount plus an additional amount over an agreed period of time.

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B. Level Pay Amount

The Level Pay Amount remains in effect for 12 months after being applied to the customer's account until an annual review is performed or until changed due to a rate order. The Level Pay Amount appears as a separate item on the gas bill. The Level Pay calculation is 1/12 of the customer's normalized usage at the current month's applicable rate and round up to the next dollar.

C. Level Pay Plan Billing

The monthly billing for the Level Pay Plan will appear on the gas bill as a memo item. Actual billing is based on the applicable rate and the meter readings from the customer's gas usage for the service period. Any difference between actual billings and the budget amounts paid appears on the customer's bill as "Level Pay Plan Balance Forward."

D. Annual Review

Level Pay Plan accounts are reviewed annually, following the April billing, to calculate the Level Pay payment amount for the succeeding 12 months. The annual Level Pay Plan review calculation is 1/12 of the customer's normalized usage at the current month's applicable rate, add (or subtract as appropriate) 1/12 of the accumulated difference between actual billings and budget payment billings, and round up to the next dollar.

E. Rate Order

In the event of a rate order, Level Pay Plan accounts will be reviewed, and Level Pay Plan payment amounts will be recalculated using the above annual Level Pay Plan review calculation to adjust for any increase or decrease in rates.

F. Settlement

Settlement occurs only when a customer's participation in the Level Pay Plan is terminated. At Settlement, the account is final billed, the customer requests termination from the Level Pay Plan, and the customer is removed from the Level Pay Plan by the Company as a result of past-due level pay payment amounts on the account. Settlement is defined as the actual account balance (debit or credit) to the customer's next billing.

ALTERNATE OR ADDITIONAL ADDRESS NOTIFICATION

A customer may request a billing address different from the physical location where gas service is provided so long as the person financially responsible for the account provides the Company with prior written authorization. This written authorization must be received at the time the customer requests service or if at a later date, the alternative billing address request must be received at least 20 days prior to the next regular billing date otherwise the alternate billing address will not be reflected on the account until the second billing cycle after the request is received.

A customer may request that the Company provide notice of disconnection to an address different from the billing address for the account so long as the person financially responsible

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for the account provides the Company with prior written authorization. The written authorization must be received at the time the customer requests service or if at a later date, the additional address for disconnect notification request will not be reflected in the account until the second billing cycle after the request is received. The Company will provide notice of disconnection to the billing address and the additional address for disconnect notification.

COMPETITIVE SERVICE RATES

Availability – In the event of a particular competitive opportunity when the Company has reason to believe competition for one or more of its customers, or potential customer, is imminent, the Company may avail itself of TPUC's competitive service rate rules and develop a special contract containing the rates the Company believes is necessary to obtain or retain the customer, which will require approval by TPUC in a separate cause.

LIMITATION OF LIABILITY

The Company shall not be liable for, and the customer shall indemnify, hold harmless and defend the Company from and against any and all liability, proceedings, suits, cost or expense for, damage or injury to persons or property, in any manner directly or indirectly connected with or arising from the furnishing of natural gas, or with the interruption or termination of natural gas service, except to the extent that the damages are occasioned by the gross negligence or willful misconduct of the Company.